

Matt Blunt  
Governor  
State of Missouri



Department of Insurance  
Financial Institutions  
and Professional Registration  
Douglas M. Ommen, Director

## **DIVISION OF FINANCE**

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D. Eric McClure  
Commissioner of Finance

January 17, 2007

The Honorable Matt Blunt, Governor  
State Capitol Building  
Room 216  
Jefferson City, Missouri 65101

Re: Report to General Assembly pursuant to section 408.506, RSMo

Dear Governor Blunt:

The Division of Finance has, in accordance with section 408.506, RSMo, conducted a survey by mail of payday lenders operating pursuant to section 408.500. The reporting timeframe was October 1, 2005 through September 30, 2006. The summary is based on a 94.6% return of surveys by the industry. The attached chart (Exhibit A) details the results of the survey and also provides historical data for comparison. Some highlights include:

- 1,545 payday loan licenses were issued during calendar year 2006. Lenders closed and opened locations throughout the year with 1,262 being the approximate average number active at a given time.
- The total number of payday loans made during the reporting period exceeded 2.87 million. (For purposes of this survey, a renewal was treated as a separate loan.)
- The average loan was \$274.72 and the average interest rate was 422.26%. This would result in an interest/fee of \$39.05 for a 14-day loan.

During the reporting period, there were approximately 10 calls per day to this office about payday loans or payday lenders. Most of the calls from citizens were resolved by explaining the law. Other complaints involved areas such as checks being deposited early, collection tactics, proper crediting of payments and customers being unable to make payments due to the location being closed. Most cases were resolved by telephone with the licensee.

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The Division of Finance continues to perform examinations of all payday lenders and overall compliance with current statutes continues to be monitored. During 2006, 91.2% of the licensees examined received a satisfactory compliance evaluation. Refunds totaling over \$242,400 were ordered. Cease and desist orders were issued in instances of serious non-compliance. During 2006, there were twelve such orders issued, as well as one fine of \$5,000. Two lenders were referred to the Attorney General for operating without a license. For 2005, refunds ordered exceeded \$134,700 and twelve cease and desist orders were issued.

As section 408.506 RSMo also requires the Division to summarize the payday loan laws from contiguous states, we conducted a survey of such states' laws. The results may be found in Exhibit B attached.

We believe the foregoing satisfies the requirements of section 408.506 RSMo.

Very truly yours,

A handwritten signature in cursive script, reading "D. Eric McClure".

D. Eric McClure  
Commissioner of Finance

DEM:cs  
Enclosures (3)

## Payday Lender General Assembly Report

	January 2003	January 2005	January 2007
Number of Licenses Issued	912	1,198	1,545
% Change from previous	N/A	31.00%	29.00%
Number of Active Licenses (approx)	800	1100	1262
% Change from previous	N/A	37.50%	14.70%
Number of Loans Made	2 million	2.6 million	2.87 million
% Change from previous	N/A	30.00%	11.00%
Average Loan Amount	\$222.05	\$241.11	\$274.72
Average Number of Renewals	2.8	2.2	1.7
Defaulted Loans	124,461	140,337	183,363
% of Total Loans Made	6.15%	5.40%	6.40%
Average Annual Percentage Rate (APR)	413.48	408.03	422.26

## PAYDAY LOANS IN CONTIGUOUS STATES

	<b>Licenses</b>	<b>Maximum Loan</b>	<b>Rate / Fees</b>	<b>Term</b>	<b>Renewals</b>	<b>Complaints</b>
Missouri	1,286	\$500	A loan and all renewals thereof may not earn more than 75% of the original principal in interest and fees.	14 day minimum 31 day maximum	Limited to 6	Occasionally Received
Arkansas	280 deferred presentment licensees	\$400	10% of the check + \$10	6 day minimum 31 day maximum	Forbidden	Rare
Kansas	396	\$500	15% of the loan amount	7 day minimum 30 day maximum	Forbidden	Rare
Iowa	259	\$500	\$15 on the first \$100 and \$10/\$100 thereafter	Minimum 1 day Maximum 31 days	Forbidden	Rare
Tennessee	1,459	\$470	\$15% of the check, with maximum \$30	No minimum but 31 day maximum	Forbidden	Rare
Kentucky	757	\$500	\$15 per hundred	14 days	Forbidden	Rare
Nebraska	200	\$500	\$15 per \$100	No minimum but a 34 day maximum	Forbidden	Rare
Illinois	1,140	\$1,000 or 25% of gross income, whichever is less.	\$15.50 per \$100	No maximum or minimum	Forbidden	Rare
Oklahoma	399	\$500	\$15 per \$100 loaned for the first \$300; \$10 per \$100 for amounts in excess of \$300	Minimum 1 month Maximum 45 days	Forbidden	Occasionally Received

October 5, 2006

[«License\_Type»-«License\_Year»-«Location\_ID»]

To: «Licensee\_Name\_including\_DBA» «Store»  
«Location\_Address1»  
«Location\_Address2»  
«City», «State» «Zip»

Re: Section 408.500 Lender Survey

Section 408.506 requires that the Division of Finance report certain information from the section 408.500 lenders to the General Assembly. To fulfill that requirement, each Section 500 license must complete the following survey and return it to our office no later than November 15, 2006. All data should be for the previous 12 months that ended September 30, 2006. **Renewal licenses will not be issued until this survey information is received.**

For questions, please call Connie Street at 573-751-3463.

**Number of loans made in the previous 12 months that ended 9/30/06:** \_\_\_\_\_

**Average principal loan amount: \$**\_\_\_\_\_

**Circle the average number of renewals per loan:**    0      1      2      3      5      6

**Number of defaulted loans in the previous 12 months that ended 9/30/06:** \_\_\_\_\_

**What annual percentage rate or rates do you typically charge? Example: 391.07% APR**

**What other fees do you charge:** NSF fee \_\_\_\_\_

**Late fee**

**Origination fee** \_\_\_\_\_

**STATEMENT:** The undersigned states that (s)he is a(n) (officer) (principal) (partner) (authorized representative) of the above-named company and that the facts contained in the foregoing are true.

Signature/Title – Phone: \_\_\_\_\_